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# **Executive Summary**

On May 20, 2002, Governor Davis signed Executive Order D-55-02, directing a three-member Task Force on Contracting and Procurement Review (Task Force) to review the state's contracting and procurement procedures and recommend any statutory, regulatory or administrative changes necessary to "ensure that open and competitive bidding is utilized to the greatest extent possible" by state agencies. The Task Force submitted its final report to the Governor on August 30, 2002, consisting of 19 recommendations designed to strengthen the contracting and procurement processes by improving the quality and openness of the process and implementing a set of checks and balances to ensure its integrity.

Even before the Task Force report was issued, the Department of General Services (DGS) issued Management Memo 02-19, which established guidelines for the use of the California Multiple Award Schedule (CMAS) and Master Agreement programs, and non-competitively bid contracts. State agencies are now required to obtain three price quotations, including at least one from a certified small business and/or disabled veteran business enterprise CMAS contractor before placing a CMAS order. In addition, no CMAS order may exceed \$500,000.

As a result of the Task Force's recommendations, the DGS took the following actions:

- The DGS has developed a new contract and procurement review process whereby state agencies will submit all contracts that require DGS review and approval to a central point within the DGS. Included are information technology (IT), commodities, public works, architectural and engineering, and personal services contracts. The DGS will determine if a contract needs developmental support, technical support, and/or legal support and will assure that the type of review received is appropriate for the risk involved.
- All leveraged procurements (e.g., CMAS,<sup>1</sup> Master Agreements<sup>2</sup>) conducted by state agencies will now be under the authority of the DGS. Contracting and Procurement Officers were notified of this action by letter on January 31, 2003. The DGS is developing training and written material for user agencies on use of leveraged procurements.

<sup>2</sup> The term "Master Agreements" is used generically to refer to those contracts established by the DGS to leverage the state's buying power. Most are established by competitive bid and include such types as: Master Agreements, Statewide Commodity Contracts and State Price Schedules.

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<sup>&</sup>lt;sup>1</sup> CMAS (California Multiple Award Schedule) agreements are established using products, services and prices from already existing competitively assessed and cost-compared multiple award contracts

- The DGS increased the number of staff dedicated to performing compliance reviews of state agencies' procurement activities. The intent is to perform more compliance reviews and to include agencies that will now need purchasing authority from the DGS to utilize leveraged procurement instruments.
- The DGS, in partnership with California State University, Northridge, conducted a major survey of state contracting and procurement personnel to identify their training needs. The survey showed a striking need for training in basic acquisition principles. The DGS will be using this data to develop training courses and, ultimately, a professional certification program for contracting and procurement personnel.
- In conjunction with industry representatives, the DGS successfully negotiated new model contract provisions for information technology acquisitions that are more in line with industry standards. The new language has been posted to the Procurement Division's website.
- The DGS took the first step in launching a contract and procurement registration system in mid-December 2002. The eight agencies participating enter detailed information about their contracts and procurements into the system. The system is scheduled to go live February 18, 2003; the DGS will then begin work on the tracking component of the system.
- The DGS developed and is maintaining a roster of state Procurement and Contracting Officers. The individuals designated by their department director or agency head will be responsible for all contracting and procurement activity in their agency.

## Introduction

"The recommendations of the Task Force are designed to strengthen the contracting and procurement processes of the State of California by improving the quality and openness of the process and implementing a set of checks and balances to ensure its integrity."

Governor's Task Force on Contracting and Procurement Review August 30, 2002 On May 20, 2002, Governor Davis signed Executive Order D-55-02, directing a three-member task force to review the state's contracting and procurement procedures and recommend any statutory, regulatory or administrative changes necessary to "ensure that open and competitive bidding is utilized to the greatest extent possible" by state agencies.

Members of the Governor's Task Force on Contracting and Procurement Review (Task Force) were:

Cliff Allenby, Director Department of Developmental Services

David Janssen, Chief Administrative Officer County of Los Angeles

Annette Porini, Chief Deputy Director Department of Finance Chairperson

The Task Force submitted its final report to the Governor on August 30, 2002, consisting of 19 recommendations designed to strengthen the contracting and procurement processes by improving the quality and openness of the process and implementing a set of checks and balances to ensure its integrity<sup>3</sup>. A 20<sup>th</sup> recommendation was that the DGS report to the Governor on the status of it efforts to implement the recommendations at sixmonth and one-year intervals.

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<sup>&</sup>lt;sup>3</sup>The report can be read at Procurement Division's website: <a href="http://www.pd.dgs.ca.gov/busmgmt/default.htm">http://www.pd.dgs.ca.gov/busmgmt/default.htm</a>

# **Current Status**

Even before the final Task Force report was submitted, the Department of General Services (DGS) began initiating improvements to the procurement and contracting process. Management Memo 02-19 was issued on August 20, 2002, which established guidelines for the use of the DGS' California Multiple Award Schedules (CMAS) and Master Agreement contracting programs, and established guidelines for non-competitively bid contracts. When the DGS was notified September 3, 2002 that the Governor had approved all Task Force recommendations for adoption, the DGS immediately deployed teams to begin implementing the recommendations. Following is the six-month status report on each of the recommendations.

#### ■ ECOMMENDATION #1:

The DGS shall broaden the scope of the QA (Quality Assurance) program so that any state agency that conducts any state procurement process must do so under authority granted by DGS, including orders placed with contractors holding leveraged procurement instruments established by the DGS, such as CMAS and Master Agreements. Absent this authority, the DGS must conduct an acquisition on behalf of the state agency.

IMPLEMENTATION: Short-term

On January 31, 2003 the DGS issued a memo to all Procurement and Contracting Officers (PCOs) announcing the inclusion of leveraged procurement instruments such as California Multiple Award Schedules (CMAS), Statewide Commodity Contracts, Master Agreements and State Price Schedules in its Quality Assurance Program. To fully implement this recommendation the DGS is developing training modules on leveraged procurements that will be included in the DGS's Training and Certification Program for Procurement Professionals (see Recommendation #8). Standards and Assessment tools are being developed (see Recommendation #6) and these will be used in conjunction with regular compliance reviews to establish purchasing authority dollar levels commensurate with criteria established for compliance. The DGS is also revising its Purchasing Authority Manual, to include chapters regarding use of leveraged procurement instruments, which will contain instructions on conducting leveraged procurements for state agencies.

RECOMMENDATION #2:
The DGS shall adopt a policy that prohibits state agencies from placing orders through CMAS or the Master Agreement program for large-scale IT system integration projects, unless such acquisition was approved as part of a feasibility study report.

IMPLEMENTATION: Short-term

The DGS met with the Department of Finance's Technology Investment Review Unit (TIRU) and Technology Oversight and Security Unit (TOSU) to develop the criteria to be used to redefine "large-scale system integration" projects. This criteria is being incorporated into a Management Memo that has a target release date of late February 2003. The acquisition process will actually be approved via the Information Technology Procurement Plan (ITPP), which will be reflected in the Management Memo.

**D** ECOMMENDATION #3:

Specifically, with respect to the CMAS program, state agencies shall be required to follow the Management Memo 02-19 Guidelines requirement to solicit and obtain three price quotations, including at least one certified small business CMAS contractor, before placing their orders. In addition, no single order should exceed \$500,000.

IMPLEMENTATION: Short-term

The California Multiple Award Schedule (CMAS) program publishes an Agency Packet that contains policy and procedure guidelines that agencies must follow when purchasing from a CMAS agreement. The CMAS program recently revised its Agency Packet to incorporate the requirements of Management Memo 02-19 Rev 3, requiring agencies to solicit and obtain three price quotations, including at least one from a certified small business and/or disabled veteran business enterprise, if available. Also included is the requirement that no single order may exceed \$500,000. The update will be disseminated via Procurement Division's web page in mid-March 2003.

**D** ECOMMENDATION #4:

The DGS shall develop written standards and criteria that will apply to any CMAS agreements established for vendors that do not hold federal General Services Administration supply schedules.

IMPLEMENTATION: Short-term

Vendors Without Base Agreements

The DGS has written standards and criteria that apply to any California Multiple Award Schedule (CMAS) agreements established for vendors that do not hold federal General Services Administration (GSA) agreements, or non-federal multiple award agreements.

#### Non-Federal Based Agreements

The DGS revised its written standards and criteria for CMAS agreements that are based on non-federal GSA supply schedules to:

- Allow negotiated products, services and prices only if the federal government approves them.
- Require that the award of the non-federal GSA supply schedule be based on minimum product and/or service requirements.

Evidence of multiple award and competitive bid or cost-compared pricing will continue to be required.

#### In addition to the above:

- The DGS has developed a new policy prohibiting integrated IT projects from being performed under the CMAS program.
- The DGS has developed a new policy that requires an Information Technology Procurement Plan (ITPP) for an IT project, which would identify the acquisition methodology and allow DGS approval prior to procurement.
- The DGS has implemented a hard cap of \$500,000 on CMAS acquisitions.
- The DGS has initiated a partnership with the vendor community (Information Technology Association of America) to formulate additional CMAS reforms.

#### **ECOMMENDATION #5:**

The DGS shall perform random audits or compliance reviews of state agencies' contracting and procurement transactions executed under authority granted by the DGS, including non-IT services contracts. As part of this recommendation, and in order to maximize state resources, the DGS should also establish protocols for the conduct of audits by those state agencies that have internal auditors. Any such protocols should necessarily include reporting to the DGS of the findings of an internal audit.

IMPLEMENTATION: Short-term

To implement this recommendation, the DGS doubled the number of staff dedicated to performing compliance reviews and overhauled the database of agencies to be reviewed to include those that have been purchasing without delegation using leveraged procurement instruments (Recommendation #1). Additionally, the DGS refined its compliance criteria and developed templates for the compliance review reports. New review staff has been immersed in intensive training and will begin onsite training, at a state agency in February. The onsite training will cover both goods and IT acquisitions.

With the addition of the leveraged procurements into the purchasing authority program, staff will develop review criteria and increase review accountability and reporting to cover these issues.

The Purchasing Authority and Quality Assurance Manager is working with the DGS' external auditors to define protocols for agencies' internal auditors and to define the requirements for review of non-IT services contracts.

#### **ECOMMENDATION #6:**

The DGS shall establish consistent standards tied to dollar thresholds that must be met in order for a state agency to be granted higher levels of procurement authority. These standards should take into consideration training, certification, demonstration of competency, demonstrated capability to conduct internal legal review, and capability to conduct self-audit or assessment through various means.

The standards and criteria established by DGS should be used to increase authority to those agencies that demonstrate excellence in their contracting and procurement processes. Those that fail to meet the standards should have their authority reduced or revoked.

These criteria, as a minimum, should take into consideration the following:

- A state agency's contracting and procurement practices;
- The degree to which a state agency meets the required guidelines, especially those addressing competition;
- The degree to which a state agency meets all statutory requirements;
- The degree to which a state agency reports to the DGS on a timely basis;
- The degree to which a state agency completes and submits other reports required by law;
- A state agency's progress toward achieving the business participation goal established in statute for disabled veteran business enterprises;

- A state agency's progress toward achieving the small business participation goal established either by Executive Order or by the department pursuant to statute:
- The degree to which a state agency establishes or modifies written policies and procedures as suggested by the DGS;
- The degree to which a state agency maintains the required training levels for their contracting and procurement staff; and
- Other factors.

#### IMPLEMENTATION: Long-term

The DGS is addressing this Recommendation as part of its revision of the Purchasing Authority Manual. The revised manual will include a revised request for purchasing authority form that will include the standards. The first segment of the revised manual is scheduled for release June 30, 2003.

Implementation of this Recommendation will interface with Recommendation #8, Training and Certification, as well as Recommendation #19, Signature Authority.

RECOMMENDATION #7:
The DGS shall develop a uniform set of policies, procedures and processes for contracting and procurement activities. As part of this effort, the DGS should undertake an initiative to align the laws governing contracting and procurement of goods, services, and IT, including the award protest processes. Additionally, the DGS should consider whether the separation of the procurement policy and oversight from the operational procurement function should be pursued. In the case of IT procurements, the DGS shall work collaboratively with the Department of Finance (DOF) to develop acquisition procedures that are consistent with the development of overall IT acquisition policies being developed by DOF.

#### IMPLEMENTATION: Long-term

The DGS recognizes that the laws and rules governing state acquisitions may be inconsistent and ambiguous. The current organizational structure of the contracting and procurement functions may lead to inefficiencies or duplication of effort. In order to clarify the current method for conducting the acquisition of goods and services and improve our current methodologies, the DGS is in the process of retaining a consulting firm to assist in implementing this Recommendation. The RFP has been issued, proposals

have been received, and proposal evaluations are now underway. It is anticipated that a contract will be awarded in late February.

The selected contractor is to perform a substantial review of the statutes, codes and regulations relating to state acquisitions, federal requirements imposed on the state, the State Administrative Manual, the California Acquisition Manual, the State Contracting Manual and other relevant documents, and make recommendations to simplify and promote uniformity among all state procurement and contracting approaches.

In addition, the contractor will examine the organizational structure for policy development and implementation, and provide recommendations for improvements. The contractor will also conduct an assessment of the internal structure and responsibilities for review and approval of individual contracting and procurement actions and make recommendation to improve the procedures.

The DGS expects work on the contract to be completed by the end of July 2003.

#### **D** ECOMMENDATION #8:

The DGS shall develop and deliver to state agency contracting and procurement officials—including DGS staff—a comprehensive training and certification program. Initial courses should be made available to state agencies within 90 days. More specialized training required for certification should commence within one year.

IMPLEMENTATION: Long-term

The first step in developing a comprehensive training program is to assess the needs of those to be trained. To do this, the DGS entered into an interagency agreement with the Center for Management and Organization Development, California State University, Northridge (CSUN) to (1) identify the knowledge, skills, and abilities (i.e., competencies) required by individuals with procurement and contracting responsibilities, (2) conduct a needs assessment based on these competencies, and (3) recommend a comprehensive training program design to enhance individual competencies. The training program would ultimately link successful completion of the program (including passing tests) to certification and to granting agency purchasing authority.

To identify the knowledge, skills, and abilities comprising the procurement official's job, two focus groups were established, one for goods and services and one for IT goods and services. The participating individuals, selected by

the DGS' Procurement Division (PD), were considered among the "best" at their jobs and represented agencies throughout the state. Using the results of the focus groups. PD and CSUN staff organized the information into 12 categories consisting of 127 specific competencies. A questionnaire was designed and a separate validation group piloted and helped refine the questionnaire.

The PD, working through agency heads and liaison officials, identified nearly 4,000 individuals involved in contracting and procurement processes. The questionnaire was made available on-line via the Internet and also mailed to these individuals. It was anticipated, based on other department surveys and reported research that a response rate of 10% would be exceptional given the length of the questionnaire and the expectation that managers would require over two hours and journeyperson over one and one-half hours to complete. The questionnaire was completed by 362 managers and 613 journey-level employees. This represented 24% of the approximate population; as an aside, it also represented over 52% of all procurement officials who opened the questionnaire.

The results provide invaluable insight into the specific training needs of the group. It is significant to note that managers and journey-level procurement officers agreed strongly on the training needs of those working in the procurement field. Respondents indicated that procurement staff at all levels need foundation training in areas such as:

- Emergency acquisition process
   Acquisition ethics
- State default process
- e-Commerce procurements
- Protest process
- Application of preferences
- Basic contract law
- Non-competitive acquisitions
- IT requirements
- IT administrative policy
- IT intellectual property

- State Administrative policies
- File documentation
- Leveraged sources
- Contract formation
- Cost/benefit analysis
- Quality assurance
- Evaluation and selection methods
- Material v. non-material deviation
- License and bond requirements

Based on the findings of the Task Force and the survey results, the DGS will be phasing in a series of courses in state acquisitions over the next six months. The first classes offered will be Acquisition Ethics and Leveraged Procurements in April 2003.

The DGS is developing a Basic Program that will lead to a certificate for procurement and contracting personnel. A certification will be linked to an agency's purchasing authority. The DGS expects to offer the first course in this series at the beginning of fiscal year 2003-04.

#### In addition the DGS is:

- Categorizing the survey findings for additional programs at the intermediate and advanced levels. We will identify specialized topics, based on the survey findings, for career development workshops.
- Discussing with legal staff an appropriate means of delivering training on high-risk contracts.
- Exploring the possibility of providing selected programs on-line.
- Discussing with both the Department of Personnel Administration and the CSUN: (a) the best means for registering and tracking participants, (b) techniques for evaluation and testing, and (c) the award of professional development certificates.

# RECOMMENDATION #9:

The DGS shall adopt clear standards of conduct for state contracting and procurement officials. Violators of the standards should be subject to disciplinary action. This will necessitate careful collaboration and coordination with the State Personnel Board, the Department of Personnel Administration, and the labor unions.

IMPLEMENTATION: Long-term

Government Code sections 19572 et seq. and 19990 specify the current statutory grounds for discipline in the state civil service system. For example, 19572(d) provides for discipline for "inexcusable neglect of duty" and section 19572(f) for "dishonesty." Section 19990 covers areas involving conflicts of interest. Though these particular sections may encompass some of the commonly occurring defalcations involved in state contracting abuses, it is our initial assessment that a code of conduct is needed to set more specific criteria and standards for those involved in state contracting. This will provide a firm basis for discipline under the more general statutory sections and will also provide clear warning regarding prohibited activities for both civil servants and exempt employees. Because of the many required procedures involved in civil service discipline (e.g. progressive discipline), stakeholders (DPA, DIR and unions) need to be involved in development of procurement conduct standards. Meetings with these parties will begin the second week in February.

These ethical standards will be part of the core curriculum in the contracting training to be conducted by the department. We have begun the process of collecting standards of conduct from other jurisdictions. The completion date for this activity should be moved up to June 1, 2003.

#### **ECOMMENDATION #10:**

The DGS shall adopt clear standards of conduct for vendors that do business with the state. Violators of the standards should be subject to suspension or debarment. This may require legislation to implement.

IMPLEMENTATION: Long-term

The DGS convened a team to explore the development of standards of conduct for vendors. The team is gathering information on what other states and the federal government have done in this area and is evaluating existing state statutes to determine what authority is necessary.

#### ECOMMENDATION #11:

DGS shall confer with industry representatives and state stakeholders to improve the model contract provisions in ways that protect the state's interests and mitigate risks to all parties. The deliberations should include consideration of best practice approaches used by other public and private sector organizations.

IMPLEMENTATION: Short-term

The DGS implemented the first phase of this recommendation on January 22, 2003. New model contract language was developed and posted on the Procurement Division (PD) website on that date. A letter, signed by the Department Director, will go out soon, requiring agencies to use the new provisions in all bids, and disallowing modifications without prior approval from the DGS.

The DGS met with the Information Technology Association of America (ITAA), an organization of information technology (IT) industry representatives, and with both state and private counsel. As a result, the DGS made significant revisions to the IT General Provisions and IT purchasing modules now posted on the PD website. IT General Provisions and non-IT Commodities General Provisions were separated into two documents.

The IT General Provisions were modified as follows:

- The Limitation of Liability clause was revised to limit contractor's liability to two times the purchase price and the purchase price was defined.
- The Indemnification clause was changed to require the state to notify the contractor of any claim and to give the contractor control over the defense of any action on a claim, subject to certain conditions.
- The Rights in Data clause was modified to give the state "Government Purpose Rights" to any work product prepared by the contractor. The contractor retains property rights.
- The Patent, Copyright and Trade Secret Indemnity clause was changed to clarify the language.

These changes to the IT General Provisions bring the state's contract language more in line with industry standards and with what other states are doing. It is expected that the revisions will result in more businesses bidding on contracts and ultimately lower costs to the state for IT projects.

#### **D** ECOMMENDATION #12:

The DGS shall facilitate industry and state stakeholder participation in continuous improvement of contracting and procurement processes through the establishment of advisory councils.

IMPLEMENTATION: Short-term

The DGS, Procurement Division (PD), recognizes that customer input is vital to the successful implementation and continuous improvement of procurement and contracting processes. In implementing Recommendation #12 the DGS has established working advisory groups comprised of industry and state stakeholders.

For industry stakeholder participation, several supplier participants were selected based on recommendations from the DGS-PD's acquisition management team and the supplier community. The industry working group will provide guidance and expertise on many of the reform initiatives while providing their perspective on state government contracting practices used to obtain an array of goods and services.

For state stakeholder participation, existing focus groups established by other initiatives, as well as the DGS' Partnership Council, have been called upon to provide input on procurement and contracting processes.

The state working group is comprised of top-level executives from throughout state government. These executives will lend their expertise to the DGS-PD in several areas. Both groups are being asked to act as sounding boards as we bring forward major issues relating to procurement reform recommendations. Their input will be collected and disseminated to various management teams to resolve issues and assist in implementation. These working groups will be available on an ongoing basis to provide their input on issues as they arise.

#### **ECOMMENDATION #13:**

The DGS shall implement an integrated system to track transactions executed by state agencies and to capture important data related to those transactions on a near real-time basis. The DGS should determine the feasibility of generating mandated reports from the system as well.

#### IMPLEMENTATION: Short-term

The first phase in implementing this recommendation was complete when the DGS launched a pilot contract and procurement registration system, with eight state agencies participating, on December 13, 2002. The system captures data such as: agency name, contract type, amount, term and amendment information.

This system will go live on February 18, 2003. The DGS will then begin working on the tracking component of the project. This internet-based system will capture detailed information on contracts and procurements and will provide the DGS management with data it needs to oversee the statewide contract and procurement functions.

#### ECOMMENDATION #14:

The DGS shall implement a comprehensive electronic procurement (eProcurement) system for all state contracts, to include:

 Public access to contracting and procurement opportunities, as well as historical information;

- Links to on-line policies and procedures, a decision support system, and online training;
- Product and pricing comparisons;
- Rules-based approval routing so that no transaction can be issued without appropriate approvals;
- Reverse auctions for commercial off-the-shelf items; and
- Data capture for all transactions, and generation of required reports, eliminating redundant reporting wherever possible.

#### IMPLEMENTATION: Long-term

Towards the implementation of this Recommendation, the DGS established the successful CAL-Buy Phase I project and is currently developing the requirements for the Phase II of the eProcurement initiative.

The CAL-Buy Phase I eProcurement system, which went live in March 2001, currently automates purchasing from over 250 statewide commodity contracts by over 300 buyers in five state agencies (DGS, Corrections, Caltrans, Highway Patrol, and Youth Authority) and seven local governments. CAL-Buy successfully reduced the procurement cycle time, saving the state both time and money. CAL-Buy implemented several features for increased accountability, including automated workflow for approval of orders based on dollar thresholds, enforcement of contract expiration dates, and a detailed audit trail of all activity related to purchases. CAL-Buy made ordering from certified small businesses just as easy as from large ones, and approximately 46% of the \$38 million spent to date has been awarded to small businesses.

While CAL-Buy is in maintenance and operations mode, DGS is analyzing the options for moving forward with Phase II and this Procurement Reform recommendation. It is the DGS's intention that Phase II will include automating more contracts such as CMAS and Master Agreements and adding functionality for contract management and one-time buys. In response to the fiscal challenges currently facing the state, it is prudent to first implement eProcurement within DGS and later, as a rollout to other state agencies. By starting with DGS, the eProcurement system will be fully tested, features utilized and enhanced, and risks minimized prior to moving out to the rest of state government. This approach will help to maximize the success of eProcurement and fully address the requirements within this reform recommendation.

#### **D** ECOMMENDATION #15:

The DGS shall ensure active legal participation in all high-risk transactions. As a minimum, the following types of transactions should be identified as high-risk:

- All IT large-scale system integration projects;
- Transactions where there is a history of protest or litigation for this or like contracts;
- Public safety;
- Acquisition of unique or specially manufactured goods or services;
- Complex projects;
- Proposed deviations from standard processes or terms and conditions (e.g., advance payments, modification to warranty, indemnity, or liability language, etc.);
- High profile transactions;
- Potential conflicts of interest;
- Hazardous activity;
- Federal matching funds; and
- Goods and IT goods contracts over \$500,000, IT services contracts over \$200,000, and non-IT services contracts over \$50,000.

The DGS shall consider delegating this review, as appropriate, to those state agencies that have, on staff, in-house counsel trained in contract law.

#### IMPLEMENTATION: Short-term

Managers from the Office of Legal Services (OLS) and the Procurement Division have established an implementation team to work out the process-related details involved in providing expanded legal services for assistance in the development and review of IT and commodity contracts, especially those identified as "high-risk". This involves the identification of roles and responsibilities, a "roll-out" plan for state agencies, and identifying opportunities to optimize contracting and control processes. The OLS has dedicated an additional 3.5 PYs for expanded legal services and has formed an IT team to provide in-depth analysis of contracts and contract-related issues and has established regular office hours in the Procurement Division in order to be more accessible to PD staff.

Delegation of review policy development is pending a determination of contract proficiency levels in other departmental legal staffs.

#### ECOMMENDATION #16:

The DGS shall develop and deliver training to state agencies on conducting an initial, high-risk review, using the criteria developed by the DGS. State agencies shall forward to the DGS for review and approval, those contracts that meet any of the high-risk criteria. The DGS shall consider delegating this review, as appropriate, to those state agencies that have in-house counsel trained in contract law.

#### IMPLEMENTATION: Short-term

For the initial phase of this recommendation, the DGS has developed a list of high-risk transactions that will be required to be reviewed and approved by the DGS' legal staff. Included in this list are contracts for goods over \$500,000; IT services over \$200,000; and combination contracts of IT goods and services over \$200,000. These are categories of contracts that have not been subject to legal review in the past. The DGS is preparing a Management Memo to announce this policy.

Training in high-risk contracts will be covered in the DGS' Training and Certification Program for procurement professionals. (Recommendation #8.)

Delegation of high-risk contract review to client agencies will be considered after DGS has had an opportunity to evaluate these contracts and determine which are appropriate for delegation.

## **D** ECOMMENDATION #17:

The DGS shall develop electronically based model contract templates with standard terms and conditions for use by state agencies in order to expedite review processes for low-risk contracts.

#### IMPLEMENTATION: Long-term

The completion of Recommendation #11, Improve Model Contract Provisions, was the first step in the implementation of this recommendation. To improve the model contract provisions, DGS staff met with the Information Technology Association of America (ITAA), an industry group, and agreed upon the new model contract provisions which were posted on the DGS website on January 22, 2003. Completion of that task provides one part of the foundation legal work necessary for the development of the model contract templates needed for this recommendation.

The DGS will continue to review and revise model contract language in preparation for the development of model contract templates.

#### **ECOMMENDATION #18:**

The DGS shall require each state agency to designate official(s) responsible for all contracting and procurement within the state agency.

IMPLEMENTATION: Short-term

In mid-November DGS sent a memo to department directors and agency heads requesting their cooperation in identifying a Procurement and Contracting Officer. The Procurement and Contracting Officers' duties are as follows:

- Be responsible for all procurement and contracting activities within the department in accordance with the Task Force Recommendation #18;
- Be the person the DGS will contact when participation is needed to implement other recommendations made by the Task Force;
- Fulfill the agency officer requirement identified in Public Contract Code (PCC) Section 10333(a)(1);
- Fulfill the agency officer requirement identified in PCC Section 10351(a)(1);
- Serve as the contract officer identified in the State Contracting Manual, Section 9.02A;
- Approve the agency's Request for Delegated Purchasing Authority prior to submission of the request to DGS, including requests for any outlying offices such as correctional facilities, district agricultural associations, hospitals, etc; and
- Sign the agency's reports for purchasing program compliance reviews conducted by the DGS, including reports for outlying offices.

The DGS developed a roster of Procurement and Contracting Officers that was completed on January 31, 2003.

#### **ECOMMENDATION #19:**

The DGS shall authorize individual signature authority for contracting and procurement officials, based on position held, experience, training and certification.

IMPLEMENTATION: Short-term

The team implementing this Recommendation researched current requirements relating to contract signature authority in California statutes and surveyed state agencies for procedures currently in effect. They also contacted other states to determine current methodologies for granting contract signature authority. The team also surveyed other states and the federal government for best practice approaches.

Policy is being developed that will interface with Recommendation #6, Standards and Dollar Thresholds, as well as Recommendation #8, Training and Certification.

### ECOMMENDATION #20

DGS shall evaluate the effectiveness of its efforts to implement all short-term recommendations, and prepare a report to the Governor on the status of those efforts six months after the report is adopted. Another status report shall be developed and delivered to the Governor one year after the report is adopted.